HORNBY BAY
MINERAL EXPLORATION

Interim Consolidated Financial Statements

Three and Nine Months Ended December 31, 2012 and 2011

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management.

The Corporation's independent auditor has not performed a review of these consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

HORNBY BAY MINERAL EXPLORATION LTD.
Interim Consolidated Statements of Financial Position
(Expressed In Canadian Dollars)
(Unaudited)

As at	**December 31, 2012 $**	March 31, 2012 $
Assets		
Current		
Cash	**3,337**	5,458
Amounts receivable (Note 4)	**14,705**	7,537
Prepaid expenses (Note 5)	**371,396**	368,058
Total Assets	**389,438**	381,053
Liabilities and Shareholders' Deficiency		
Current Liabilities		
Accounts payable and accruals (Note 10)	**751,454**	733,340
Accrued interest on debenture (Note 11)	**7,520**	-
Shareholder’s loan (Note 11)	**96,230**	1,168,395
Total Current Liabilities	**855,204**	1,901,735
Debenture (Note 11)	**1,500,000**	-
	2,355,204	1,901,735
Shareholders’ Deficiency		
Capital stock (Note 7)	**38,858,623**	38,858,623
Share-based payments reserve (Note 8)	**358,571**	400,579
Deficit	**(41,182,960)**	(40,779,884)
Total Shareholders’ Deficiency	**(1,965,766)**	(1,520,682)
Total Liabilities and Shareholders’ Deficiency	**389,438**	381,053

GOING CONCERN (Note 1)
COMMITMENTS AND CONTINGENCIES (Notes 6 and 12)
SUBSEQUENT EVENT (Note 14)

APPROVED ON BEHALF OF THE BOARD:

Signed “Chris Irwin”, Director

Signed “Maurice Colson”, Director

See accompanying notes to the interim consolidated financial statements.

HORNBY BAY MINERAL EXPLORATION LTD.
Interim Consolidated Statements of Operations and Comprehensive Loss
(Expressed In Canadian Dollars)
(Unaudited)

For the periods ended December 31,	Three Months Ended 2012 $	2011 $	Nine Months Ended 2012 $	2011 $
Expenditures				
Exploration and evaluation expenses				
Lease rental payments	**-**	-	**46,409**	46,409
Technical consulting	**79,446**	7,071	**117,338**	15,965
Program planning and reports	**42,407**	17,710	**72,600**	52,843
Airborne geophysics	**4,273**	9,038	**8,324**	9,038
Surveying	**838**	-	**838**	-
Licences and permits	**-**	20	**803**	206
Camp and support	**4,674**	39,800	**5,307**	47,290
Ground geophysics	**-**	-	**-**	1,500
Drilling	**-**	-	**-**	721
Recording fees and taxes	**289**	-	**289**	1,074
	131,927	72,939	**251,908**	175,046
General and administration expenses				
Professional fees	**46,914**	37,258	**108,717**	114,878
Travel and promotion	**-**	-	**34,416**	1,385
Shareholders' information	**6,906**	6,208	**34,836**	30,365
Office and general	**(189)**	2,632	**7,540**	19,806
Interest and bank charges	**7,555**	88	**7,666**	285
Share-based payments	**31,453**	-	**31,453**	8,321
	92,639	46,186	**224,629**	175,040
Net loss and comprehensive loss for the period	**(224,566)**	(119,125)	**(476,537)**	(350,086)
Loss per share – basic and diluted	**(0.00)**	(0.00)	**(0.01)**	(0.01)
Weighted average number of common shares outstanding	**56,785,405**	56,785,405	**56,785,405**	56,785,405

See accompanying notes to the consolidated financial statements.

HORNBY BAY MINERAL EXPLORATION LTD.

Interim Consolidated Statements of Cash Flows
(Expressed In Canadian Dollars)
(Unaudited)

For the nine months ended December 31,	2012 $	2011 $
Cash flows from		
Operating activities		
Net loss for the period	**(476,537)**	(350,086)
Adjust for: operating items not involving cash		
Share-based payments	**31,453**	8,321
Change in non-cash working capital		
Amounts receivable	**(7,168)**	157,556
Prepaid expenses	**(3,339)**	(1,209)
Accrued interest on debenture	**7,520**	-
Accounts payable and accruals	**18,115**	(15,959)
	(429,956)	(201,377)
Financing activities		
Debenture	**1,500,000**	-
Shareholder's loan	**(1,072,165)**	190,650
	427,835	190,650
Decrease in cash	**(2,121)**	(10,727)
Cash at beginning of period	**5,458**	14,265
Cash at end of period	**3,337**	3,538
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	**-**	-

See accompanying notes to the consolidated financial statements.

HORNBY BAY MINERAL EXPLORATION LTD.
Interim Consolidated Statements of Changes in Equity
(Expressed In Canadian Dollars)

	Number of Shares	Capital Stock $	Share-based Payments Reserve $	Deficit $	Total Equity $
Balance April 1, 2011	56,785,405	38,858,623	480,008	(39,797,310)	(458,679)
Net Loss After Tax	-	-	-	(350,086)	(350,086)
Share-based payments	-	-	8,321	-	8,321
Balance December 31, 2011	56,785,405	38,858,623	488,329	(40,147,396)	(800,444)
Net Loss After Tax	-	-	-	(720,238)	(720,238)
Options expired unexercised	-	-	(87,750)	87,750	-
Balance March 31, 2012	56,785,405	38,858,623	400,579	(40,779,884)	(1,520,682)
Net Loss After Tax	-	-	-	(476,537)	(476,537)
Share-based payments	-	-	31,453	-	31,453
Options expired unexercised	-	-	(16,621)	16,621	-
Warrants expired unexercised	-	-	(56,840)	56,840	-
Balance December 31, 2012	56,785,405	38,858,623	358,571	(41,182,960)	(1,965,766)

See accompanying notes to the interim consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Hornby Bay Mineral Exploration Ltd. (the "Company") currently has interests in exploration and evaluation properties in Canada. Substantially all of the Company's efforts are devoted to financing and developing these properties. There has been no determination on whether the Company's interests in exploration and evaluation properties contain mineral reserves which are economically recoverable. The Company is incorporated and domiciled in Ontario, Canada. The registered address of the Company and its principal place of business is 1010-130 Adelaide Street West, Toronto, ON M5H 3P5. The Company's shares are listed on the TSX Venture Exchange.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements.

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, under which material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern must be disclosed. As at December 31, 2012, the Company had not yet achieved profitable operations and continues to be dependent upon its ability to obtain sufficient working capital from external financing to meet the Company's liabilities as they become payable and ultimately to generate profitable future operations. As at December 31, 2012, the Company had a working capital deficiency of $465,767. These interim consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of operations, and at amounts different from those in the accompanying interim consolidated financial statements. Such adjustments could be material.

2. BASIS OF PRESENTATION

(i) Statement of Compliance

These unaudited condensed interim consolidated financial statements ("interim consolidated financial statements") of Hornby Bay Mineral Exploration Ltd. and its subsidiary, as at and for the three and nine months ended December 31, 2012, have been prepared in accordance with IAS 34, Interim Financial Reporting, and do not include all of the information required for full annual consolidated financial statements. Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed.

These interim consolidated financial statements of the Company for the three and nine months ended December 31, 2012 and 2011 were approved and authorized for issue by the Board of Directors on February 25, 2012.

(ii) Significant accounting judgements, estimates and assumptions

The preparation of consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated interim financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

(iii) Significant accounting policies

The significant accounting policies applied in these interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the audited annual consolidated financial statements for the year ended March 31, 2012.

(iv) Basis of consolidation

The interim consolidated financial statements of the Company include the accounts of its 100% owned subsidiary, Copper Royalty Mineral Corp. (a company incorporated in British Columbia), and the proportionate accounts of all of its joint ventures (see Note 13). Unrealized gains and losses on transactions between the Company and its subsidiary and joint ventures are eliminated to the extent of the Company's interest in those entities. Amounts reported in the financial statements of jointly controlled entities have been adjusted where necessary to ensure consistency with the accounting policies of the Company.

These interim consolidated financial statements were prepared under the historical cost basis, except for certain assets which are measured at fair value as explained in the accounting policies set out in the audited annual consolidated financial statements for the year ended March 31, 2012. In addition, these interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

3. FUTURE ACCOUNTING PRONOUNCEMENTS

Certain pronouncements were issued by the IASB or IFRIC that are mandatory for accounting periods beginning after April 1, 2012 or later periods. Many of these updates are not applicable or are not consequential to the Company and have been excluded from the list below. The following pronouncements are being assessed to determine their impact on the Company's results and financial position.

IFRS 9 - Financial Instruments: Classification and Measurement

This standard was published in November 2009 and contained requirements for financial assets. Requirements for financial liabilities were added to IFRS 9 in October 2010. Most of the requirements for financial liabilities were carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. This standard is required to be applied for accounting periods beginning on or after January 1, 2015, with earlier adoption permitted. The Company has not yet determined the impact of the amendments to IFRS 9 on its interim consolidated financial statements.

IFRS 10 – Consolidated Financial Statements

This standard builds on existing principles and standards and identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company (effective from January 1, 2013). The Company has not yet determined the impact of the amendments to IFRS 10 on its interim consolidated financial statements.

IFRS 11 – Joint Arrangements

This standard establishes the principles of financial reporting by entities when they have an interest in arrangements that are jointly controlled (effective from January 1, 2013). The Company has not yet determined the impact of the amendments to IFRS 11 on its interim consolidated financial statements.

(Expressed in Canadian dollars)

IFRS 12 – Disclosure of Interest in Other Entities
This standard provides the disclosure requirements for interests held in other entities including joint arrangements, associates, special purpose entities and other off balance sheet entities (effective from January 1, 2013). The Company has not yet determined the impact of the amendments to IFRS 12 on its interim consolidated financial statements.

IFRS 13 – Fair Value Measurement
This standard defines fair value, requires disclosure of fair value measurements and provides a framework for measuring fair value when it is required or permitted within IFRS (effective from January 1, 2013). The Company has not yet determined the impact of the amendments to IFRS 13 on its interim consolidated financial statements.

IAS 1 – Presentation of financial statements
This standard was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012.

IAS 12 – Income Taxes
This standard provides amendments to introduce an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. IAS 12 is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted. The Company has not yet determined the impact of the amendments to IAS 12 on its interim consolidated financial statements.

IAS 28 – Investments in Associates and Joint Ventures
This standard revised the existing standards and prescribes the accounting for investments and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures (effective January 1, 2013). The Company has not yet determined the impact of IAS 28 on its interim consolidated financial statements.

IAS 32 – Financial instruments, Presentation
In December 2011, effective for annual periods beginning on or after January 1, 2013, IAS 32 was amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right of offset must be available on the current date and cannot be contingent on a future date. The Company has not yet determined the impact of IAS 32 on its interim consolidated financial statements.

4. AMOUNTS RECEIVABLE

	December 31, 2012	March 31, 2012
HST/GST receivable	$ 14,705	$ 7,537

5. PREPAID EXPENSE

	December 31, 2012	March 31, 2012
Advances (i)	$ 367,454	$ 367,454
Other	3,941	604
	$ 371,395	$ 368,058

(i) During the year ended March 31, 2011, the Company entered into an agreement with a supplier whereby the Company advanced $600,000 to be applied against future invoices. As at December 31, 2012, there was a remaining balance of $367,454 (March 31, 2012 - $367,454). Other prepaid expenses relate to advances to technical consultants to perform work on the Company's B.C. property.

(Expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION PROPERTIES

(a) **COPPERMINE RIVER, NUNAVUT**

The Company holds a 100% interest in 40 mineral leases and 16 mineral claims in the Coppermine River area of Nunavut. The 40 leases are subject to a 1% net smelter royalty and/or a 1% gross diamond royalty to a maximum of $10,000,000. Cumulative exploration and evaluation expenditures made by the Company on this project as at December 31, 2012 totaled $24,065,278 (March 31, 2012 – $23,979,287).

(b) **UNAD JV, NUNAVUT**

Pursuant to agreements dated December 31, 2006 the Company holds a 50% interest in certain mineral claims in the Coppermine River area of Nunavut. Cumulative exploration and evaluation expenditures made by the Company on this project as at December 31, 2012 totaled $772,313 (March 31, 2012 – $772,313).

(c) **ONTARIO GOLD PROPERTIES**

The Company holds a 100% interest in five gold leases near Timmins, Ontario. Cumulative exploration and evaluation expenditures made by the Company on this project as at December 31, 2012 totaled $151,510 (March 31, 2012– $134,029).

(d) **B.C. PROPERTIES**

The Company holds a 100% interest in four Crown grants in the Camsell and Similkameen area of British Columbia and a 5% net smelter return royalty interest on certain parts of the Similkameen Copper Mine. Cumulative exploration and evaluation expenditures made by the Company on this project as at December 31, 2012 totaled $185,458 (March 31, 2012 – $37,859).

7. CAPITAL STOCK

(i) As at December 31, 2012 and March 31, 2012, the Company's authorized number of common shares was unlimited without par value.

(ii) **Common Shares**

Issued 56,785,405 common shares	**Number of Shares**	**Amount**
Balance at April 1, 2011, March 31, 2012 and December 31, 2012	**56,785,405**	**$38,858,623**

8. SHARE-BASED PAYMENTS RESERVE

	Number of Options	Weighted Average Exercise Price	**Grant Date Value of Options**	Number of Warrants	Weighted Average Exercise Price	**Grant Date Value of Warrants**	**Total Value**
Balance April 1, 2011	3,224,999	$ 0.25	**$ 423,168**	710,500	$ 0.16	**$56,840**	**$480,008**
Granted	-	-	**8,321**	-	-	**-**	**8,321**
Expired	(75,000)	1.71	**(87,750)**	-	-	**-**	**(87,750)**
Balance March 31, 2012	3,149,999	$ 0.21	**$ 343,739**	710,500	$ 0.16	**$56,840**	**$400,579**
Granted	2,000,000	0.10	**31,453**	-	-	**-**	**31,453**
Expired	(200,000)	(0.20)	**(16,621)**	(710,500)	(0.16)	**(56,840)**	**(73,461)**
Balance December 31, 2012	4,949,999	$ 0.17	**$ 358,571**	-	$ -	**$ -**	**$358,571**

(Expressed in Canadian dollars)

Warrants

Pursuant to the issuance of 8,346,820 flow-through common shares at $0.16 per share in connection with a rights offering completed in September 2010, the Company issued 710,500 broker warrants pursuant to standby commitments. Each broker warrant entitles the holder to acquire one common share of the Company at a price of $0.16 for two years. The grant date fair value of the warrants was estimated to be $56,840, using the Black-Scholes option pricing model assuming a risk-free interest rate of 2% on the date of issue, an expected life of two years, an expected volatility of 150% and expected dividends of $Nil. The warrants expired on September 9, 2012.

Options

The Company's Stock Option Plan (the "Plan") provides for the granting of stock options to directors, officers, employees and consultants of the Company. Share options are granted for a term not to exceed five years at exercise prices not less than the closing sale price of the shares on the TSX Venture Exchange on the trading day immediately preceding the date the options are granted, and are not transferrable. The Plan is administered by the Board of Directors, which determines individual eligibility under the Plan, number of shares reserved for optioning to each individual (not to exceed 5% of issued and outstanding shares to any one individual) and the vesting period. The maximum number of shares of the Company that are issuable pursuant to the Plan is limited to 10% of the issued and outstanding common shares.

During the three months ended December 31, 2012, the Company granted 2,000,000 options to directors, officers and consultants of the Company. Each option is convertible into one common share of the Company at an exercise price of $0.10 per common share until October 26, 2015. During the nine months ended December 31, 2012, 200,000 options to acquire common shares of the Company expired unexercised. Options to purchase common shares outstanding at December 31, 2012 carry exercise prices and remaining terms to maturity as follows:

Number of options	Options exercisable	Exercise price	Fair value at grant date	Expiry date	Remaining contractual life outstanding
#	#	$	$		(Years)
83,333	83,333	0.66	29,979	19-Feb-13	0.14
66,666	66,666	0.30	6,000	16-Jun-14	1.46
2,500,000	2,500,000	0.20	261,818	11-Aug-15	2.61
200,000	200,000	0.20	18,300	27-Oct-15	2.82
100,000	100,000	0.20	11,000	9-Nov-15	2.86
2,000,000	1,800,000	0.10	31,453	26-Oct-15	2.82
4,949,999	4,749,999	0.17	358,571		2.64

The fair values of options granted have been estimated on the date of grant using the Black-Scholes option-pricing model. Assumptions used in the pricing model are as follows:

Expiry Date	Grant date share price $	Exercise price $	Expected volatility %	Expected option life (Years)	Expected dividend yield %	Risk-free interest rate %
19-Feb-13	0.66	0.66	102	5	0	3.2
16-Jun-14	0.30	0.30	65	5	0	2.0
11-Aug-15	0.20	0.20	109	5	0	2.0
26-Oct-15	0.03	0.10	129	3	0	1.2
27-Oct-15	0.20	0.20	116	5	0	2.1
9-Nov-15	0.20	0.20	135	5	0	2.2

(Expressed in Canadian dollars)

9. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and evaluation of its properties. The capital of the Company consists of shareholder's loan, capital stock and share-based payments reserve. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

Several properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.
Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the periods ended December 31, 2012 or 2011. The Company and its subsidiary are not subject to externally imposed capital requirements.

10. FINANCIAL INSTRUMENTS

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement, and the bases for recognition of income and expenses) for each class of financial asset, and financial liability are disclosed in Note 3 to the audited annual consolidated financial statements for the years ended March 31, 2012 and 2011.

Financial assets and financial liabilities as at December 31, 2012, and March 31, 2012 were as follows:

December 31, 2012	Loans and receivables	Other liabilities	Total
Cash	$ 3,337	$ -	$ 3,337
Accounts payable and accruals	-	(751,454)	(751,454)
Accrued interest on debenture	-	(7,520)	(7,520)
Shareholder's loan	-	(96,230)	(96,230)
Debenture	-	(1,500,000)	(1,500,000)
	$ 3,337	$ (2,355,204)	$(2,351,867)

March 31, 2012	Loans and receivables	Other liabilities	Total
Cash	$ 5,458	$ -	$ 5,458
Accounts payable and accruals	-	(733,340)	(733,340)
Shareholder's loan	-	(1,168,395)	(1,168,395)
	$ 5,458	$ (1,901,735)	$(1,896,277)

Financial Instrument Risk Factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no changes in the risks, objectives, policies or procedures during the periods ended December 31, 2012 and 2011.

Credit risk
The Company's credit risk is primarily attributable to cash. The Company has no significant concentration of credit risk arising from operations. Cash consists of bank deposits which have been invested with reputable

financial institutions, from which management believes the risk of loss to be remote.

Liquidity risk
The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2012, the Company had a cash and amounts receivable balance of $18,042 (March 31, 2012 - $12,995) to settle current liabilities of $855,204 (March 31, 2012 - $1,901,735). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms, except for the debenture described in Note 11. The shareholder's loan is described in Note 11.

Market risk

(a) Interest rate risk
The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. Management considers interest rate risk to be minimal given that, as at December 31, 2012, no amounts were held in short-term deposit certificates.

(b) Foreign currency risk
The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.

(c) Price risk
The Company is exposed to price risk with respect to commodity prices. Changes in commodity prices will impact the economics of development of the Company's mineral exploration properties. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. Price risk is remote since the Company is not currently a revenue producing entity.

Fair value
The Company has designated its cash and amounts receivable as loans and receivables, which are measured at amortized cost. Accounts payable and accruals, and shareholder's loan are classified as other financial liabilities, which are measured at amortized cost.

Fair value estimates are made at the statement of financial position date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates. The carrying amounts for cash, amounts receivable, and accounts payable and accruals on the statement of financial position approximate fair value because of the limited term of the instruments. It is not possible to determine if the shareholder's loan is at fair value as there is no comparable market value for such a loan.

At December 31, 2012, the Company had no financial instruments that are carried at fair value.

11. RELATED PARTY TRANSACTIONS

During the three and nine months ended December 31, 2012 and 2011, the Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company:

(Expressed in Canadian dollars)

	Amounts owed to related parties	
	31-Dec-12	31-Mar-12
Officers and directors	$ 39,387	$ 26,593
Accrued interest on debenture	$ 7,520	$ -
Shareholder's loan	$ 96,230	$ 1,168,395
Debenture	$ 1,500,000	$ -

The amount owing to officers and directors relates to legal services provided by a director of the Company prior to and during the period ended December 31, 2012. During the three months ended December 31, 2012 professional fees paid to this officer and director totaled $Nil (2011 - $23). During the nine months ended December 31, 2012 professional fees paid to this officer and director totaled $16,509 (2011 - $7,196).

On November 1, 2012, the Shareholder's loan, which was previously due on demand and non-interest bearing, was cancelled and a secured debenture for principal of $1,500,000 was issued in its place. The debenture bears interest at 3% per annum and matures on November 1, 2017. The Company may extend the maturity date to November 1, 2022. Interest on the debenture of $7,520 was accrued at December 31, 2012. Advances to the Company, and payments made on its behalf by the Shareholder in excess of the $1,500,000 principal loan amount are included on the Statement of Financial Position as Shareholder's loan. The loan continues to be unsecured, due on demand and non-interest bearing. As security for the debenture, the Company has granted a security interest to the Holder over its 5% Net Smelter Return Royalty on certain parts of the Similkameen Copper Mine located in British Columbia.

Compensation of key management personnel of the Company

The remuneration of directors and other members of key management personnel during the periods ended December 31, 2012 and 2011 was as follows:

	Three months ended December 31,		Nine months ended December 31,	
	2012	2011	2012	2011
Salaries including bonuses	15,000	15,000	45,000	45,000
Share-based payments	30,173	-	30,173	-
Total remuneration	45,173	15,000	75,173	45,000

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

12. COMMITMENTS AND CONTINGENCIES

a) Pursuant to the issuance of 8,346,820 flow-through shares on September 9, 2010, the Company has renounced $1,318,421 of qualified exploration expenditures with an effective date of December 31, 2010. The Company was required to spend these flow-through funds by December 31, 2011 but was unable to do so. As of December 31, 2011, the amount remaining to be spent was approximately $882,000. The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax related amounts that become payable by the shareholder as a result of the Company not meeting its expenditure commitments. As a result of this indemnification, the Company recorded a provision of $580,537 during the year ended March 31, 2012. No adjustments have been made to the provision as at and during the three and nine months ended December 31, 2012.

b) The Company had been named a defendant in legal proceedings brought by a former officer of the Company. The former officer had claimed approximately $30,000 in settlement of a promissory note and approximately $170,000 damages for breach of contract.

During the year ended March 31, 2011, the Company paid $30,000 in settlement of the promissory note that was outstanding. During the period ended December 31, 2012, these legal proceedings were fully and finally settled between the parties without cost.

c) An action had been brought by the Company against a former officer of the Company and his spouse for damages in the amount of $72,166 for breach of fiduciary duty and conversion. During the period ended December 31, 2012, this action was fully and finally settled between the parties without cost.

d) Environmental Contingencies

The Company's exploration and evaluation activities are subject to various federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

13. INTERESTS IN JOINT VENTURES

The Company does not have any significant assets, liabilities, revenues, expenses or cash flows from its interests in joint ventures as at December 31, 2012 and March 31, 2012, nor for the periods ended December 31, 2012 and 2011.

14. SUBSEQUENT EVENT

a) Subequent to the period ended December 31, 2012, a Shareholder of the Company advanced $26,000 to the Company and paid $35,000 in invoices on the Company's behalf.
b) Subsequent to the period ended December 31, 2012, 83,333 options expired unexercised.